

Message Text

LIMITED OFFICIAL USE

PAGE 01 STATE 287267
ORIGIN EA-12

INFO OCT-01 EUR-12 ISO-00 EB-08 COME-00 CIAE-00 INR-07
NSAE-00 FEA-01 TRSE-00 /041 R

DRAFTED BY EA/ANP:WLGALLAGHER:PAP
APPROVED BY EA/ANP:EHURWITZ
EA/EP:AGEBER

-----025523 021023Z /11

R 012337Z DEC 77
FM SECSTATE WASHDC
TO AMEMBASSY CANBERRA
AMEMBASSY WELLINGTON
AMEMBASSY LONDON
AMEMBASSY TOKYO

LIMITED OFFICIAL USE STATE 287267

E.O. 11652: N/A/

TAGS: EMIN, AS, JA, NZ

SUBJECT: NZ ALUMINUM SMELTER

REF: A) STATE 282479 C) TOKYO 18402
B) CANBERRA 8374 D) LONDON 19542

1. KAISER OFFICIALS MET WITH STATE DEPARTMENT
REPRESENTATIVES NOV. 29 TO REPORT ON THE NOV. 23 LOS
ANGELES MEETING BETWEEN NEW ZEALAND PRIME MINISTER MULDOON AND
KAISER PRESIDENT CORNELL MAIER. AT THE PM-KAISER
DISCUSSIONS, KAISER PRESENTED THREE TALKING POINTS:

I. UNILATERAL ACTION ON THE PART OF THE NEW ZEALAND
GOVERNMENT WITH RESPECT TO THE POWER CONTRACTS WOULD
BE BENEFICIAL TO NO ONE AND WOULD BE CONTRARY TO NEW
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 STATE 287267

ZEALAND'S BEST INTERESTS.

II. A NEGOTIATED SETTLEMENT IS POSSIBLE AT PRICE LEVELS
AT OR NEAR THOSE PROPOSED BY THE NEW ZEALAND GOVERNMENT
IF TWO CONDITIONS CAN BE MET:

A. AGREEMENT TO REACH THE GOVERNMENT'S DESIRED 650

POWER RATE INCREASE ON A STEP-BY-STEP BASIS AT A
MUTUALLY ACCEPTED TIME TABLE FOR IMPLEMENTATION;

B. PROVISION FOR ESCALATION OF THE POWER RATE
BASED ON SOME REASONABLE ESCALATOR THAT WILL PARALLEL
ECONOMIC ACTIVITY IN THE ALUMINIUM INDUSTRY.

III. DEMAND FOR ALUMINUM IS GOING TO BE ACCELERATED BY
THE WORLD ENERGY CRISIS. NEW ZEALAND CAN SHARE IN THE
FUTURE PROSPERITY OF THE ALUMINUM INDUSTRY IF THE
GOVERNMENT ADOPTS CONSTRUCTIVE POLICIES WHICH ENCOURAGE
CONTINUED FULL PRODUCTION AND EVEN EXPANSION IN NEW
ZEALAND.

2. IN ADDITION, KAISER GAVE THE PM A POSSIBLE BASIS
FOR NEGOTIATIONS:

THE POWER RATE FOR ANY YEAR WOULD BE THE HIGHER OF A
NEGOTIATED MINIMUM RATE FOR THAT YEAR OR AN ESCALATED
RATE.

THE MINIMUM RATE WOULD COMMENCE IN 1978 AND ESCALATE IN
ANNUAL STEPS AS NEGOTIATED BETWEEN THE GOVERNMENT AND
COMALCO.

THE ESCALATED RATE WOULD USE THE 1978 MINIMUM RATE
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 STATE 287267

AS THE BASE RATE AND WOULD ESCALATE IN ACCORDANCE WITH A
MODIFIED VERSION OF THE U.S. OR ALCAN METAL PRICE.
(NOTE: THE REALIZED PRICE IS ALWAYS LESS THAN THE
PUBLISHED PRICE. OTHER GOVERNMENTS HAVE USED THE
REALIZED PRICES SHOWN IN THE 10-K REPORTS OF ALCOA,
ALCAN, AND KAISER FOR PURPOSES OF ESCALATION.)

AN EXAMPLE OF THIS APPROACH WOULD BE AS FOLLOWS:

POWER RATE - NZ CENT/KWH

YEAR	MINIMUM RATE	ESCALATED RATE
------	--------------	----------------

1977	.178	.178
------	------	------

1978	MR-1	MR-1
------	------	------

1979	MR-2	ER-1
------	------	------

1980	MR-3	ER-2
------	------	------

1981	MR-4	ER-3
------	------	------

1982	MR-5	ER-4
------	------	------

1983	MR-6	ER-5
------	------	------

1984	MR-7	ER-6
------	------	------

1985	MR-8	ER-7
1986	MR-9	ER-8
1987	MR-10	ER-9
1988	MR-11	ER-10
1989	MR-12	ER-11
1990	MR-13	ER-12

USING THE ABOVE TABLE, THE GOVERNMENT WOULD BE ASSURED OF RECEIVING THE MINIMUM RATE, OR THE ESCALATED RATE, IF HIGHER.

3. THE PM REPORTEDLY STATED HE WAS ATTRACTED TO THE KAISER APPROACH IN THAT IT WOULD FULFILL HIS POLITICAL PROMISES TO RENEGOTIATE THE MANAPOURI POWER AGREEMENT. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 STATE 287267

MULDOON ALSO INDICATED HE THOUGHT UNILATERAL ACTION BY GNZ WOULD BE UNDESIRABLE AND TO BE USED ONLY AS A LAST RESORT. THE PM APPARENTLY STATED HE WOULD LIKE MATTER RESOLVED BY THE TIME PARLIAMENT ADJOURNED.

4. BOTH KAISER-MULDOON MADE IT CLEAR THEY DID NOT WISH TO BE THE PRIMARY NEGOTIATORS IN THE BLUFF SMELTER DISPUTE. KAISER STATED IT WISHED TO BE VIEWED AS AN INTERESTED, SUBSTANTIAL COMALCO SHAREHOLDER, BUT THAT THE NEGOTIATIONS THEMSELVES WOULD FALL TO COMALCO. KAISER, NONETHELESS, WOULD LIKE TO BE KEPT FULLY INFORMED ON DEVELOPMENTS THROUGH ITS REGIONAL REPRESENTATIVE: JOHN D. MILLER, MANAGING DIRECTOR, KAISER-AUSTRALIA HOLDINGS PTY LTD, 5 GRESHAM ST. SYDNEY, NSW 2001; TELEPHONE 27-6973. BOTH WELLINGTON AND CANBERRA MAY WISH TO COMMUNICATE WITH MR. MILLER AS EVENTS WARRANT. VANCE

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ALUMINUM
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE287267
Document Source: CORE
Document Unique ID: 00
Drafter: WLGALLAGHER:PAP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770447-0332
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712103/aaaadjtl.tel
Line Count: 152
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 98e8cefb-c188-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 STATE 282479, 77 TOKYO 18402
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 25-Feb-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 109919
Secure: OPEN
Status: NATIVE
Subject: NZ ALUMINUM SMELTER
TAGS: EMIN, AS, JA, NZ
To: CANBERRA WELLINGTON MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/98e8cefb-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009